
Lease of Railroad Equipment

Dated October 8, 1973

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RECORDATION NO. _____ Filed & Recorded

OCT 17 1973 - 11 50 AM

INTERSTATE COMMERCE COMMISSION

FROM

ELECTRO-MOTIVE LEASING CORPORATION,

Lessor

TO

GEORGE P. BAKER, RICHARD C. BOND

and

JERVIS LANGDON, JR.,

Trustees of the Property of

PENN CENTRAL TRANSPORTATION COMPANY, Debtor,

Lessees

33 Diesel-Electric Locomotives

THIS LEASE OF RAILROAD EQUIPMENT dated October 8, 1973, between ELECTRO-MOTIVE LEASING CORPORATION, a corporation of the State of Delaware (Lessor), and GEORGE P. BAKER, RICHARD C. BOND and JERVIS LANGDON, JR., as Trustees of the property of PENN CENTRAL TRANSPORTATION COMPANY, Debtor, and the successors of said Trustees, or of any of them (Lessees),

WITNESSETH :

WHEREAS, GENERAL MOTORS CORPORATION, a corporation of the State of Delaware (Manufacturer), and Lessor executed a Purchase Contract dated as of August 20, 1973 (said Purchase Contract being hereinafter called the Purchase Contract) whereby Manufacturer agreed to manufacture and sell and Lessor agreed to purchase and pay for 33 Diesel-Electric Locomotives of the Models and in the respective quantities, and bearing, respectively, the Serial Numbers of Manufacturer and the Road Numbers set forth in Schedule A hereto (said Locomotives being hereinafter collectively called Locomotives and individually a Locomotive); and

WHEREAS, Lessees desire to lease all of the Locomotives in accordance with the provisions hereof; and

WHEREAS, Lessor and Lessees entered into a Temporary Railroad Equipment Lease dated September 5, 1973 (the Temporary Lease) providing for the lease of Locomotives delivered pursuant to the Purchase Contract prior to the recordation of this Lease pursuant to Section 20c of the Interstate Commerce Act as hereinafter provided; and

WHEREAS, the Temporary Lease is by its terms to terminate on November 15, 1973, or at 12:01 A.M. on the first business day after the day on which this Lease is recorded as aforesaid, whichever event shall first occur, or on such earlier date in respect of any Locomotive as Lessor shall receive from Lessees payment of a sum equal to the purchase price for such Locomotive pursuant to Section 6 of the Temporary Lease; and

WHEREAS, certain lenders (the Lenders) have severally agreed under a Loan and Financing Agreement dated as of September 10, 1973 (the Loan and Financing Agreement) to make loans to Lessor in

amounts specified therein to provide funds necessary for payment of the purchase price of the Locomotives by Lessor; and

WHEREAS, as security for the aforesaid loans, Lessor has simultaneously with the execution hereof assigned to UNITED STATES TRUST COMPANY OF NEW YORK, a corporation of the State of New York, as Trustee (the Trustee) under an Equipment Note Agreement dated the date hereof (the Equipment Note Agreement), all of its right, title and interest in and to the Locomotives to become subject hereto and all of its right, title and interest in and under this Lease; and

WHEREAS, Manufacturer, in consideration of Lessees' agreement to lease the Locomotives from Lessor, has agreed by a Warranty Agreement and Guarantee as to Lessor dated the date hereof (the Warranty Agreement) to be obligated to Lessees by certain covenants and warranties of Manufacturer and to guarantee to Lessees the performance in full by Lessor, its successors and assigns, of all of Lessor's duties and obligations hereunder; and

WHEREAS, the terms and provisions contained in this Lease and the Warranty Agreement constitute the only understanding, oral or written, between Lessor and Lessees relating to the Locomotives; and

WHEREAS, the aforesaid George P. Baker, Richard C. Bond and Jervis Langdon, Jr., have been duly appointed Trustees of the property of Penn Central Transportation Company, Debtor (the Railroad) by an order of the United States District Court for the Eastern District of Pennsylvania, in a proceeding under Section 77 of the Bankruptcy Act entitled "In the Matter of Penn Central Transportation Company, Debtor, No. 70-347", and said appointment has been duly ratified by an order of the Interstate Commerce Commission, and said Trustees have duly qualified as such and are duly vested with title to and are in possession of and operating the property of the Railroad pursuant to the provisions and directions contained in orders of said Court; and

WHEREAS, by an order of said Court dated July 24, 1973, the form and terms of this Lease were approved by said Court in substantially the present form hereof, and Lessees were duly authorized

to execute and deliver this Lease, and otherwise to make and carry out the covenants and agreements on their part herein contained; and

WHEREAS, Lessees represent that all acts and things necessary to make this Lease valid and binding upon Lessees have been done and performed;

Now, THEREFORE, in consideration of the premises and of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by Lessees, Lessor hereby leases the Locomotives to Lessees upon the following terms and conditions:

SECTION 1. *Definitions.* The terms defined and referred to in this Section (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Lease and any supplement hereto shall have the respective meanings specified in this Section.

The following terms shall have the meanings specified or indicated in the recitals hereto:

Equipment Note Agreement

Loan and Financing Agreement

Locomotive and Locomotives

Purchase Contract

Railroad

Temporary Lease

Warranty Agreement

Appraiser shall mean an independent appraiser mutually agreed upon by Lessor and Lessees, or failing such agreement, a panel of three independent appraisers, one of whom shall be selected by Lessor, the second by Lessees and the third designated by the first two so selected.

Business day shall mean any day other than a Sunday, a Saturday or any other day on which banking institutions in the City of New York are authorized by law to be closed.

Certificate of Inspection and Acceptance shall mean a certificate substantially in the form of Schedule B to the Purchase Contract.

Event of Default shall mean one of the Events of Default specified in Section 14 hereof.

Fair Market Value shall mean at any time for the determination thereof an amount determined on the basis of, and equal to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than a lessee currently in possession or a used equipment dealer) and an informed and willing seller under no compulsion to sell and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Fair Rental Value shall mean at any time for the determination thereof an amount determined on the basis of, and equal to, the value which would obtain in an arm's-length transaction between an informed and willing lessee-user (other than a lessee-user currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, costs of removal from the location of current use shall not be a deduction from such value.

Lease shall mean this instrument and any and all supplements hereto.

Lessees shall have the meanings specified in Section 18 hereof.

Lessor shall mean Electro-Motive Leasing Corporation or any successor to it by merger, consolidation or other disposition of all or a substantial part of its assets, other than an assignee of the right, benefits and advantages of Lessor hereunder pursuant to Section 19 hereof.

Manufacturer shall mean General Motors Corporation and its successors and assigns.

Manufacturer's Serial Number shall mean, as to any Locomotive, the serial number set forth in Schedule A hereto with respect thereto, as said Schedule A may, from time to time, be revised in accordance with Section 8 hereof.

Quarterly Rental Period shall have the meaning specified in Section 4 hereof.

Reorganized Company shall mean any corporation (which may be the Railroad) or governmental agency which acquires a substantial part of the lines of railroad comprised in the Railroad's estate upon termination of the trusteeship of the property of the Railroad, and thereafter shall include any successor which shall have become such in compliance with the third paragraph of Section 18 hereof.

Road Number shall mean, as to any Locomotive, the road number set forth in Schedule A hereto with respect thereto, as said Schedule A may, from time to time, be revised in accordance with Section 8 hereof.

Specifications shall mean those specifications referred to in the Purchase Contract.

Stipulated Loss Value of any Locomotive as of the end of any Quarterly Rental Period during the term of this Lease shall mean an amount equal to the applicable percentage set forth in Column II of Schedule B hereto of the total unit price of such Locomotive set forth in Schedule A hereto.

Termination Value of any Locomotive as of the end of any Quarterly Rental Period during the term of this Lease shall mean an amount equal to the applicable percentage set forth in Column I of Schedule B hereto of the total unit price of such Locomotive set forth in Schedule A hereto.

Trustee shall mean United States Trust Company of New York and any successor trustee under the Equipment Note Agreement.

SECTION 2. *Delivery and Acceptance of Locomotives.* At 12:01 A.M. on the first business day after the day on which this Lease and the Equipment Note Agreement are recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act pursuant to Section 20 hereof, all Locomotives which have been accepted by Lessees under the Temporary Lease and remain subject thereto shall, as of that time, automatically, and without further act or deed by either Lessor or Lessees, be deemed delivered by Lessor and accepted by Lessees under the terms of this Lease and said Locomotives shall thereafter be subject to all the provisions of this Lease. Concurrently with the commencement of the term of this Lease, as aforesaid, the Temporary Lease shall terminate.

At all times during the continuance of this Lease, title to the Locomotives shall be vested in Lessor to the exclusion of Lessees, and delivery of possession of the Locomotives to Lessees and Lessees' possession of the Locomotives shall constitute a leasehold interest only.

SECTION 3. *Term of Lease.* The term of this Lease as to each Locomotive shall commence on the date of its delivery to, and acceptance by, Lessees pursuant to Section 2 hereof, and, subject to the provisions of Sections 11, 14 and 15 hereof, shall terminate on October 15, 1988.

SECTION 4. *Rentals.* Lessees agree to pay to Lessor one business day prior to each January 15, April 15, July 15 and October 15 during the term of this Lease, as rental for each Locomotive subject to this Lease, for the quarterly period ending on such date (herein called a Quarterly Rental Period), an amount equal to the following applicable percentage of the total unit price of such Locomotive set forth in Schedule A hereto:

(a) as rental for the first Quarterly Rental Period ending January 15, 1974, 1.07739977% for the quarter, plus 0.023444445% for each day from and including the day such Locomotive becomes subject hereto to and including said January 15, 1974;

(b) as rental for each Quarterly Rental Period commencing with that ending April 15, 1974 to and including that ending October 15, 1978, 3.18739982%;

(c) as rental for each Quarterly Rental Period commencing with that ending January 15, 1979 to and including that ending October 15, 1983, 2.84281609%; and

(d) as rental for each Quarterly Rental Period commencing with that ending January 15, 1984 to and including that ending October 15, 1988, 2.58437827%.

If at any time on or before October 14, 1974 a payment of rental shall become due and payable as provided hereinabove in this Section 4 and if at such time a cessation or suspension of all or a major part of the railroad operations conducted by Lessees at the date of this Lease shall be in existence but shall not have continued for a period in excess of ninety days, such payment of rental then otherwise due and payable shall not become then due and payable but instead shall become due and payable simultaneously with the rental for the Quarterly Rental Period immediately next ensuing and such nonpayment of rental until

the business day prior to the end of such next Quarterly Rental Period shall not constitute a default in the payment of rental for the purpose of Clause (a) of Section 14 hereof.

Lessees will pay, to the extent legally enforceable, interest at the rate of 10% per annum upon rentals remaining unpaid after the same shall have become due and payable.

All payments to be made to Lessor shall be made at the office of the Trustee, 130 John Street, New York, New York 10038, Attention: Corporate Trust and Agency Division, or at such other place as the Trustee (or, after termination of the Equipment Note Agreement, Lessor) may designate in writing.

SECTION 5. *Representations and Warranties.* (a) Lessor represents and warrants that at the time the Locomotives become subject to this Lease, Lessor will be the true and lawful owner thereof and that each such Locomotive will be free and clear of all claims, liens, security interests and other encumbrances except only the rights of Lessees hereunder and of the Trustee under the Equipment Note Agreement.

(b) Lessees represent and warrant that:

(i) Lessees, George P. Baker, Richard C. Bond and Jervis Langdon, Jr., have been duly appointed as Trustees of the property of the Railroad by an order of the United States District Court for the Eastern District of Pennsylvania; the appointment of said Trustees has been duly ratified by an order of the Interstate Commerce Commission; and said Trustees are duly vested with the title to the properties of the Railroad and have the power and authority to carry on its business.

(ii) The execution and delivery of this Lease by Lessees and their assumption and undertaking of the obligations, duties and liabilities hereof have been duly authorized by an order of said Court; and this Lease is legal, valid, binding and enforceable against Lessees in accordance with its terms.

(iii) The rights of Lessor as herein set forth and the title of Lessor to the Locomotives are free and clear of the lien, charge or security interest created by any mortgage, security agreement or other instrument binding upon the Railroad or Lessees.

(iv) Except for the authorization by the United States District Court for the Eastern District of Pennsylvania of the execution

and delivery of this Lease by the Lessees, no governmental authorizations, approvals or exemptions are required for the execution and delivery of this Lease or for the validity and enforceability hereof or for the leasing of the Locomotives hereunder, for the rentals and on the other terms and conditions herein provided; or, if any such authorizations are required, they have been obtained and, if any such authorizations shall hereafter be required, they will be promptly obtained.

(v) No litigation or administrative proceedings are pending or, to the knowledge of Lessees, are threatened against Lessees, the adverse determination of which would affect the validity of this Lease or the rights of Lessor to enforce the provisions hereof.

(vi) Obligations to make rental and other payments under this Lease will constitute expenses of administration of Lessees, payable on a parity with other equipment obligations theretofore or thereafter assumed or incurred by Lessees; and, upon occurrence of an Event of Default under this Lease, any claim for damages will constitute an expense of administration.

SECTION 6. *Opinions of Counsel.* On the Closing Date under the Loan and Financing Agreement Lessees will deliver to the Trustee, in its capacities as trustee under the Equipment Note Agreement and as agent for the Lenders under the Loan and Financing Agreement:

(a) an opinion satisfactory to the Trustee, and to the Lenders and their special counsel, dated such Closing Date, of Robert W. Blanchette, Esq., Counsel for Lessees, signed by him or on his behalf by an attorney designated by him, to the effect that:

(i) this Lease and the Warranty Agreement have been duly executed and delivered by Lessees, and are legal, valid, binding and enforceable against Lessees in accordance with their terms;

(ii) the Equipment Note Agreement and this Lease have been duly filed and recorded with the Interstate Commerce Commission under Section 20c of the Interstate Commerce Act, and no other filing or recording is necessary to protect in the United States of America the right, title and interest of the Trustee in and to the Equipment, to make effective therein the security contemplated by the Equipment Note

Agreement and for the full protection therein of the holders of the Equipment Notes issued pursuant to the Equipment Note Agreement;

(iii) the execution and delivery of this Lease and the Warranty Agreement by Lessees have been duly authorized by the order of the United States District Court for the Eastern District of Pennsylvania referred to in Section 2.4 of the Loan and Financing Agreement; the execution and delivery by Lessees, Pennsylvania Company and the Trustee of an amendment to a certain Trust Agreement dated October 12, 1964 establishing a trust of the voting rights of The Pennsylvania Railroad Company (now the Railroad) and Pennsylvania Company in respect of certain stock of Norfolk and Western Railway Company, so as to permit the Trustee to act as assignee, mortgagee and trustee of the rights of Lessor as lessor hereunder, has been duly authorized by the order of the Interstate Commerce Commission referred to in said Section 2.4, and the execution and delivery by Lessees of such amendment has been duly authorized by the aforesaid order of the United States District Court for the Eastern District of Pennsylvania; and no other governmental authorizations are required for the execution and delivery of the Warranty Agreement and this Lease by Lessees, the leasing of the Equipment hereunder and the validity and enforceability of the Warranty Agreement and this Lease as against Lessees; or if any such authorization is necessary it has been obtained, specifying the same;

(iv) George P. Baker, Richard C. Bond and Jervis Langdon, Jr. have been duly appointed as Trustees of the property of the Railroad by an order of the United States District Court for the Eastern District of Pennsylvania; the appointment of said persons as said Trustees has been duly ratified by order of the Interstate Commerce Commission; and Lessees are duly vested with title to the properties of the Railroad and have the power and authority to carry on its business;

(v) the order of the United States District Court for the Eastern District of Pennsylvania referred to in Section 2.4 of the Loan and Financing Agreement is in full force and

effect and has not been reversed, modified or amended, and no motion for rehearing, appeal or other proceeding is pending in said Court or in any appellate court having jurisdiction which might result in any reversal, modification or amendment of said order;

(vi) the rights of Lessor as set forth in this Lease and the title of Lessor to the Locomotives are free and clear of the lien of any mortgage, security agreement or other instrument binding upon the Railroad or Lessees;

(vii) Lessees' obligations to make rental and other payments under this Lease will constitute expenses of administration of Lessees, payable on a parity with other equipment obligations theretofore or thereafter assumed or incurred by Lessees; and, upon occurrence of an event of default under this Lease, any claim for damages hereunder will constitute an expense of administration of Lessees; and

as to such other matters as the Trustee, or the Lenders or their special counsel, may reasonably request; and

(b) an opinion satisfactory to the Trustee, and to the Lenders and their special counsel, dated such Closing Date, of Messrs. Osler, Hoskin & Harcourt, of Toronto, Ontario, Canada, special counsel for Lessees, to the effect that this Lease has been filed, deposited or recorded in such public offices, and such arrangements for publication of notice thereof have been made, as are sufficient for the full protection in Canada of the rights of Lessor hereunder; and the Equipment Note Agreement has been filed, deposited or recorded in such public offices, and such arrangements for publication of notice thereof have been made, as are sufficient for the full protection of the right, title and interest of the Trustee in and to any Equipment from time to time situated in the Province of Ontario, Canada, to make effective therein the security contemplated by the Equipment Note Agreement, and for the full protection therein of the holders of the Equipment Notes issued thereunder.

Any opinion of counsel required to be delivered by subsection (a) of this Section 6 may rely, as to any matters governed by the laws of any jurisdiction other than Federal laws, on opinions of counsel or

other designated attorney for Lessees satisfactory to the Trustee and special counsel for the aforementioned Lenders.

SECTION 7. *Identification Plates.* Upon or before the delivery to Lessees of each of the Locomotives, Manufacturer had caused to be plainly, distinctly, permanently and conspicuously placed and fastened upon each side of such Locomotive a metal plate on which plainly and conspicuously appear the following words in letters not less than one inch in height:

ELECTRO-MOTIVE LEASING CORPORATION, OWNER AND LESSOR
UNITED STATES TRUST COMPANY OF NEW YORK, TRUSTEE, ASSIGNEE

In case, during the continuance of this Lease, any such plate shall at any time be painted over or otherwise made inconspicuous, removed, defaced or destroyed on any Locomotive, Lessees shall immediately cause the same to be restored or replaced. Lessees will not allow the name of any person, association or corporation to be placed on any of the Locomotives as a designation which might be interpreted as indicating a claim of ownership thereof by any person, association or corporation other than Lessor or its assignee; but the Locomotives may be lettered with the names or initials or other insignia customarily used by Lessees on equipment of the same or a similar type for convenience of identification of the rights to use and operate the Locomotives under this Lease.

SECTION 8. *Numbering.* On or prior to the time of delivery of each Locomotive to Lessees, Manufacturer had caused to be placed on each side of such Locomotive the Manufacturer's Serial Number and the Road Number of such Locomotive. At all times during the continuance of this Lease, Lessees will cause each Locomotive to bear the numbers so assigned to it, and Lessees will not change or permit to be changed, the numbers of any such Locomotives, except in accordance with a statement of new numbers to be substituted therefor which previously shall have been filed with the Trustee and Lessor by Lessees and filed, recorded or deposited in all public offices where this Lease or the Equipment Note Agreement will have been filed, recorded or deposited.

SECTION 9. *Taxes.* Lessees agree that, during the continuance of this Lease, in addition to the rentals herein provided, Lessees will promptly pay all taxes, assessments and other governmental charges levied or assessed upon or in respect of the Locomotives or any thereof or upon the use or operation thereof or Lessees' earnings arising therefrom, if and to the extent that any such taxes, assessments or other governmental charges may give rise to any lien upon the Locomotives or may become a claim entitled to priority over any of the rights of Lessor in and to the Locomotives, and as additional rental will promptly pay or reimburse Lessor for all taxes, assessments and other governmental charges levied or assessed against Lessor or any predecessor or successor in title of Lessor solely on account of ownership of the Locomotives or any thereof or on account of the use or operation thereof or on account of the earnings arising therefrom (exclusive, however, of any tax in the nature of an income tax on the rentals herein provided), including any sales, use or similar taxes payable on account of the sale or delivery of the Locomotives or the leasing of the Locomotives hereunder; but Lessees shall not be required to pay the same so long as they shall in good faith and by appropriate legal or administrative proceedings contest the validity or amount thereof unless thereby, in the judgment of Lessor, the rights or interest of Lessor will be materially endangered, nor shall Lessees be required to make any tax payment which is deferred by order of a court having jurisdiction, provided that such deferment shall not subject the title and interest of Lessor in and to the Locomotives to any lien or encumbrance. In the event any tax reports are required to be made on the basis of individual Locomotives, Lessees will either make such reports in such manner as to show the ownership of such Locomotives by Lessor or will notify Lessor of such requirement and will make such report in such manner as shall be satisfactory to Lessor.

Lessees further agree to indemnify Lessor against the loss of any portion of the investment tax credit applicable to the purchase of the Locomotives covered by this Lease in the event the loss of the credit is the result of acts or omissions of Lessees, provided that the existence of any such loss shall be confirmed either by tax counsel mutually acceptable to Lessees and Lessor or by a decision of any Federal court (including the United States Tax Court). Lessees shall reimburse Lessor for such lost investment tax credit in an amount

which, after reduction for Lessor's Federal income tax (or that of its parent in the event consolidated Federal income tax returns are filed) thereon, shall equal, in the opinion of such counsel, the amount of such lost investment tax credit, and, in addition, reimburse Lessor for interest on any Federal income tax deficiency which arises from such lost investment tax credit, but only to the extent that any such interest is attributable to the period prior to Lessees' payment to Lessor of the reimbursement for such lost investment tax credit. Such acts or omissions of Lessees shall be deemed to include the loss of Locomotives under any of the circumstances described in Section 11 of this Lease and the repossession and subsequent disposal of Locomotives by Lessor as described in Section 14 of this Lease.

SECTION 10. *Maintenance and Insurance.* Lessor makes no warranty or representation, either express or implied, in respect of the Locomotives, including, without limitation, any warranty or representation as to the merchantability, fitness for a particular purpose, design or condition of, or as to the quality of the material, equipment or workmanship in, the Locomotives delivered to lessees hereunder, it being agreed that all such risks, as between Lessor and Lessees, are to be borne by Lessees.

Lessees agree, during the continuance of this Lease, at Lessees' own cost and expense to maintain and keep all of the Locomotives in good order and repair in accordance with standards prescribed by Manufacturer in its applicable locomotive service manuals and maintenance instructions covering the respective Locomotives and that any replacement power components (such as engines, transmissions and parts thereof) shall be in accordance with the Specifications.

Except for alterations or changes required by law, Lessees shall not, without the prior written approval of Lessor, effect any change in the design, construction or body of the Locomotives or in the electrical equipment or the components thereof installed in the Locomotives, or in the Specifications.

Any parts installed or replacements made by Lessees upon any Locomotive (except for communications, signal and automatic control equipment or devices having a similar use which have been added to the Locomotives by Lessees, the cost of which is not included in Manufac-

turer's total unit price on which the rentals hereunder have been computed, which is not required for the operation or use of the Locomotives and which can be removed without material injury to the Locomotives) shall be considered accessions to such Locomotive and title thereto shall be immediately vested in Lessor, without cost or expense to Lessor.

Lessees shall pay or satisfy and discharge any and all sums claimed by any person against Lessees which, if unpaid, might become a lien or a charge upon the Locomotives or entitled to priority over any of the rights of Lessor in and to the Locomotives, but Lessees shall not be required to discharge any such claim so long as they shall in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which, in the opinion of Lessor, will not affect or endanger the title and interest of Lessor in and to the Locomotives.

Lessees shall, at their own cost and expense, insure each Locomotive from the time of delivery and acceptance thereof and at all times thereafter until Lessees' obligations under this Lease with respect to such Locomotive have been discharged, against loss, damage or destruction thereof caused by fire, lightning, wreck, derailment, collision, flood, tornado, cyclone, sabotage, riot or civil commotion, such insurance, in the case of each Locomotive, to be in an amount satisfactory to Lessor, except that such coverage may be limited so that no loss amounting to less than \$25,000 on each Locomotive shall be payable. All such insurance shall be taken for the benefit of Lessor and Lessees, as their respective interests may appear, in an insurance company or companies satisfactory to Lessor. Such policy or policies shall insure the respective interests of Lessor and Lessees in the Locomotives and shall provide that the proceeds of such insurance shall be payable to Lessor. All insurance proceeds received by Lessor with respect to any Locomotives shall

(a) be paid over to Lessees, in the case of repairable damage to such Locomotive, upon receipt by Lessor from Lessees of proof in duplicate satisfactory to Lessor of the proper repair of such damage; or

(b) be applied by Lessor, in the case of the loss, destruction or damage beyond repair of such Locomotive, towards the satisfaction of Lessees' obligation to make the payment required by Section 11 hereof.

SECTION 11. *Payment for Lost, Worn Out, Destroyed, Damaged or Requisitioned Locomotives.* Lessees shall bear the risk of and, except as hereinafter in this Section 11 provided, shall not be released from Lessees' obligations hereunder in the event of any loss or destruction of or damage to any of the Locomotives for any cause whatsoever, or any requisition, taking over or nationalization of any of the Locomotives by any governmental agency, after the acceptance and delivery thereof hereunder by Lessees.

In case any Locomotive shall become lost, worn out, destroyed or, in the opinion of Lessees, irreparably damaged, or shall be requisitioned, taken over or nationalized by any governmental agency under the power of eminent domain or otherwise (except for the assumption of the obligations of the Lessees herein originally named by a Reorganized Company), prior to payment in full of the rentals payable pursuant to Section 4 hereof, Lessees shall promptly and fully inform Lessor of the occurrence of the applicable event, and on the rental payment date set forth in Section 4 hereof next succeeding the date on which Lessees shall have determined that the Locomotive was lost, worn out, destroyed, irreparably damaged, requisitioned, taken over or nationalized, Lessees shall pay to Lessor the rent payable for such Locomotive for the Quarterly Rental Period then ending and, in addition, shall pay to Lessor as damages, in lieu of any further claim of Lessor to or on account of such Locomotive (except for indemnification against any loss of investment tax credit as provided in Section 9 hereof), the Stipulated Loss Value of such Locomotive as of the end of such Quarterly Rental Period. Upon any such payment, title to such Locomotive (and any compensation, claims or causes of action for such loss, destruction, damage, requisition, taking or nationalization) shall immediately vest in Lessees and such Locomotive shall no longer be subject to this Lease and the rent for such Locomotive shall cease to accrue.

If any Locomotive shall be seized, attached or otherwise arrested while in the territorial limits of any country other than the United States and such seizure, attachment or arrest shall not have been vacated and the applicable Locomotive unconditionally released therefrom within 30 days of the initiation of such seizure, attachment or arrest, such Locomotive shall upon the expiration of such 30-day period be deemed, for the purposes of this Section 11, to have been "taken" with the effect contemplated by this Section 11 and by Section 12 hereof.

SECTION 12. *Annual Report.* Lessees will furnish to Lessor on or before May 1 in each year commencing May 1, 1974, and on such other date or dates as Lessor may from time to time reasonably request, an accurate report certified by a duly authorized agent or officer of Lessees, stating as of a recent date (not exceeding 90 days preceding the date of such report) (a) the Manufacturer's Serial Numbers and the Road Numbers of the Locomotives then subject to this Lease, (b) the Manufacturer's Serial Numbers and the Road Numbers of all Locomotives that have become lost, worn out, destroyed, irreparably damaged, requisitioned, taken over or nationalized by any governmental agency, since the date of the previous report (or since the date hereof in the case of the first such report), (c) the Manufacturer's Serial Numbers and the Road Numbers of all serviceable Locomotives, (d) that all Locomotives then subject to this Lease have been kept in good order and repair or, if such be the case, the Manufacturer's Serial Numbers and the Road Numbers of all Locomotives then awaiting repairs or being repaired in accordance with Section 10 hereof, (e) that the metal plates affixed to the Locomotives as required by Section 7 hereof have remained and presently are affixed to each side of each Locomotive, and such plates have not been painted over or otherwise made inconspicuous or defaced, and (f) that, to the best of his knowledge, no Event of Default, and no event which with the giving of notice and lapse of time, or the giving of notice or lapse of time, would constitute an Event of Default, has occurred during the year immediately preceding the date as of which such report is made, or, if any such Event of Default or other such event has occurred, specifying the same and the nature and the status thereof. Lessees will furnish copies of such reports to such persons as Lessor may from time to time designate in writing to Lessees. Lessor shall have the right, by its agents, to inspect the Locomotives and/or Lessees' records with respect thereto at reasonable times and places and upon reasonable notice during the continuance of this Lease or any extension thereof.

SECTION 13. *Compliance with Laws and Rules; Indemnification.* Lessees agree to comply in all respects with all laws of the jurisdictions in which their operations involving the Locomotives may extend and with all lawful rules of the Federal Railroad Administration and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over Lessees or over the Locomotives,

to the extent that such laws and rules affect the operation, maintenance or use of the Locomotives. In the event such laws or rules require the alteration of the Locomotives, Lessees will conform therewith, at Lessees' expense, and will maintain the same in proper condition for operation under such laws and rules; provided, however, that Lessees may, in good faith, contest the validity and application of any such law or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the property or rights of Lessor as owner hereunder.

Lessees hereby agree to indemnify, reimburse and hold Lessor harmless from any and all claims, demands, suits, judgments or causes of action for or on account of injury to or death of persons, or loss or damage to property which may result from or grow in any manner out of the presence, use or operation of the Locomotives under this Lease, provided, however, that Lessees do not assume liability in respect of representatives, agents or employees of Manufacturer, Lessor or the Trustee, including any liability for injury to or death of any such person while exercising any right of Lessor under Section 12 hereof.

SECTION 14. *Default.* If, during the continuance of this Lease or any extension thereof, one or more of the following events shall occur:

(a) default shall be made in the payment of any part of the rental provided in Section 4 or Section 15 hereof, as the case may be, and such default shall continue for 5 days after the applicable due date;

(b) Lessees shall make or suffer any unauthorized assignment or transfer of this Lease or of possession of the Locomotives, or any of them (except for the requisitioning, taking over or nationalizing of any Locomotive as described in Section 11 of this Lease as to which Lessees have become obligated to pay the rental and Stipulated Loss Value as specified in said Section), and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Locomotive or Locomotives within 30 days after written notice from Lessor to Lessees demanding such cancellation and recovery of possession;

(c) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part

of Lessees contained herein and such default shall continue for 30 days after written notice from Lessor to Lessees specifying the default and demanding the same to be remedied;

(d) any material representation made by Lessees herein or hereunder or in any certificate or other instrument delivered under or pursuant to any provision hereof shall prove to have been false or incorrect in any material respect on the date as of which made;

(e) the order dated July 24, 1973 of the United States District Court for the Eastern District of Pennsylvania in the pending proceedings for the reorganization of the Railroad, authorizing the execution and delivery of this Lease by Lessees and their undertaking of the obligations, duties and liabilities hereof, shall be reversed, modified, amended or superseded in any material respect which might adversely affect any of the rights, powers, privileges and remedies of Lessor under this Lease or of the Trustee as assignee of Lessor's right, title and interest in and under this Lease, and the order effecting such reversal, amendment, modification or superseding of said order shall not have been vacated or set aside or stayed within 60 days from the date of entry thereof;

(f) a plan of reorganization of the Railroad is approved by the Court in the pending proceedings for the reorganization of the Railroad and said plan does not provide for the assumption by a Reorganized Company of each and every obligation of Lessees under this Lease in form and substance satisfactory to Lessor and to the Trustee;

(g) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against any Reorganized Company, and all the obligations of Lessees under this Lease shall not have been duly assumed by a trustee or trustees appointed in such proceedings or otherwise given the same status as obligations assumed by such a trustee or trustees within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(h) any proceedings shall be commenced by or against any Reorganized Company for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, composi-

tions or extensions (other than a law which does not permit any readjustment of the indebtedness payable hereunder); and all the obligations of Lessees under this Lease shall not have been duly assumed by a trustee or trustees or receiver or receivers appointed for such Reorganized Company or for its property in connection with any such proceedings or otherwise given the same status as obligations assumed by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case (herein sometimes called Events of Default), Lessor, at its option, may

(1) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessees of the applicable covenants of this Lease or to recover damages for the breach thereof; or

(2) by notice in writing to Lessees terminate this Lease, whereupon all right of Lessees to the use of the Locomotives shall absolutely cease and determine as though this Lease had never been made, but Lessees shall remain liable as herein provided; and thereupon Lessees shall deliver possession of the Locomotives to Lessor in accordance with Section 16 hereof (except to the extent such delivery is impossible with respect to any Locomotives requisitioned, taken over or nationalized) and Lessor may by its agents enter upon the premises of Lessees or other premises where any of the Locomotives may be and take possession of all or any of such Locomotives (damages occasioned by such taking of possession being hereby expressly waived by Lessees) and thenceforth hold, possess and enjoy the same free from any right of Lessees, or Lessees' successors or assigns, to use the Locomotives for any purposes whatever; but Lessor shall, nevertheless, have a right to recover from Lessees any and all amounts which under the terms of this Lease may be then due or which may become due and unpaid for the use of the Locomotives (including rentals accruing on the Locomotives after the date of default and any amounts owing under Section 11 hereof in respect of any Locomotives lost, worn out, destroyed, irreparably damaged, requisitioned, taken over or nationalized); and also to recover forthwith from Lessees

(to the extent not recovered pursuant to the foregoing) the following:

(i) as damages for loss of the bargain and not as a penalty, a sum, with respect to Locomotives as to which the original term of this Lease has not expired, which represents the excess of (x) the Termination Value of such Locomotives determined as of the end of the Quarterly Rental Period next preceding the date of such notice, plus interest on the amount of such Termination Value of the Locomotives from the end of such Quarterly Rental Period at the rate of $8\frac{1}{2}\%$ per annum to the date of such notice, over (y) the present worth of the Fair Rental Value of the Locomotives determined as of the end of such Quarterly Rental Period for the remainder of the period ending October 15, 1988 (such present worth to be computed on the basis of an annual discount rate of $8\frac{1}{2}\%$ compounded quarterly to the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated); plus, to the extent legally enforceable, interest on such excess at the rate of 10% per annum commencing on the date of such notice and reasonable provision for all expenses incidental to taking of possession and rerenting, and

(ii) any damages in addition thereto which Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease other than for the payment of rental.

The remedies in this Lease provided in favor of Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. Lessees hereby waive any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. No delay or omission of Lessor in the exercise of any power or remedy given herein shall be deemed a waiver of such power or remedy. In the event that Lessor shall bring suit and be entitled to judgment hereunder, then Lessor shall be entitled to recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

SECTION 15. *Extension of Term.* Unless an Event of Default under Section 14 hereof shall have occurred and be continuing, Lessees shall have the right and option, by written notice given to Lessor not less than

90 days prior to the expiration of the term set forth in Section 3 hereof or any extended term as herein provided, to extend, subject to the provisions of Section 11 hereof, the original term of this Lease, or any extended term hereof, with respect to the Locomotives or any of them specified in such notice for an additional term of five years, in which event the provisions of Sections 9, 10, 11, 13, 14 and 16 shall be applicable as during the original term, and such extended term or terms shall be at a rental equal to the Fair Rental Value of such Locomotives payable on the same days of each year of the extended term or terms as payable under this Lease.

If on or before two months prior to the expiration of the original or any extended term of this Lease, Lessor and Lessees are unable to agree upon a determination of the Fair Rental Value of such Locomotives, the Fair Rental Value shall be determined by an Appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment and shall promptly communicate such determination in writing to Lessor and Lessees. The determination so made shall be conclusively binding upon both Lessor and Lessees. The expenses and fee of the Appraiser shall be borne by Lessees.

If Lessees do not elect to extend the term of this Lease with respect to one or more Locomotives, the provisions of Section 17 hereof shall apply as to each such Locomotive.

SECTION 16. *Return of Locomotives.* Upon the expiration of the original term of this Lease, provided Lessees shall not have exercised their option to continue this Lease pursuant to Section 15 hereof or their option to purchase the Locomotives pursuant to Section 17 hereof, or upon the termination of this Lease as to any Locomotive or Locomotives as provided in said Section 15 during or at the expiration of any extended term of this Lease with respect to such Locomotive or Locomotives (provided Lessees shall not have exercised said option to purchase), or upon the termination of this Lease pursuant to Section 14 hereof, Lessees shall forthwith deliver possession of the Locomotive or Locomotives, as the case may be, to Lessor in good order and repair (and, in any event, in a condition complying with the maintenance requirements of Section 10 hereof). For the purpose of delivering possession of each such Locomotive to Lessor as above required, or in the event that Lessor elects to terminate this Lease as provided in

Section 14 hereof, Lessees shall at Lessees' own cost and expense forthwith assemble all such Locomotives and place them upon such storage tracks of Lessees as Lessor may designate, or, in the absence of such designation, as Lessees may select, and Lessees shall permit Lessor to store all such Locomotives on such tracks for a period not exceeding 100 days at the risk and expense of Lessees, and Lessees shall at Lessees' own cost and expense transport or cause to be transported the same or any thereof, at any time within such 100-day period, to Manufacturer's plant at McCook, Illinois or to any place or places on the lines of railroad operated by Lessees or to any connecting carrier for shipment, all as directed by Lessor. The assembling, delivery, storage and transporting of all such Locomotives as hereinbefore provided are of the essence of this Lease, and upon application to any court having jurisdiction in the premises Lessor shall be entitled to a decree against Lessees requiring specific performance of the covenants of Lessees so to assemble, deliver, store and transport all such Locomotives.

Lessees shall deliver forthwith to Lessor, or to such person or persons whom Lessor may designate, possession of each Locomotive upon expiration of the extended term of this Lease as to any such Locomotive or upon termination of this Lease as to any such Locomotive for any reason other than those specified in Section 11 hereof.

Without in any way limiting the obligation of Lessees under the foregoing provisions of this Section, Lessees hereby irrevocably appoint Lessor as the agent and attorney of Lessees, with full power and authority, at any time while Lessees are obligated to deliver possession of any Locomotive to Lessor, to demand and take possession of such Locomotive in the name and on behalf of Lessees from whosoever shall be at the time in possession of such Locomotive.

Except as otherwise provided in Section 11 hereof, in the event that any Locomotive subject to this Lease is not redelivered to Lessor in accordance with the preceding provisions of this Section 16, all of the obligations of Lessees under this Lease with respect to such Locomotive (including the obligation to pay rentals) shall remain in full force and effect until such Locomotive is redelivered to Lessor as above provided.

SECTION 17. *Purchase Options.* Provided that this Lease has not been earlier terminated and Lessees are not in default hereunder,

Lessees may by written notice delivered to Lessor not less than six months prior to the end of the original or any extended term of this Lease, elect to purchase all or any of the Locomotives covered by this Lease at the end of such term for a purchase price equal to the Fair Market Value of such Locomotives as of the end of such term.

If on or before four months prior to the expiration of the original or any extended term of this Lease, Lessor and Lessees are unable to agree upon a determination of the Fair Market Value of the Locomotives, the Fair Market Value shall be determined by an Appraiser. The Appraiser shall be instructed to make such determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to Lessor and Lessees. The determination so made shall be conclusively binding upon both Lessor and Lessees. The expenses and fee of the Appraiser shall be borne by Lessees.

SECTION 18. *Assignment; Possession and Use; Successors to Lessees.* So long as Lessees shall not be in default under this Lease, Lessees shall be entitled to the possession and use of the Locomotives in accordance with the terms of this Lease, but Lessees agree, to the fullest extent permitted by law, that Lessees shall not, without the prior written consent of Lessor, assign, transfer or encumber Lessees' leasehold interest under this Lease in the Locomotives (except to the extent that the provisions of any mortgage now or hereafter created on any of the lines of railroad of Lessees or any other liens authorized by the Court in the proceedings for the reorganization of the Railroad may subject such leasehold interest to the lien thereof). Lessees agree, to the fullest extent permitted by law, that Lessees shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of Lessees' possession or control, either voluntarily, by operation of law or otherwise, any Locomotive except that Lessees may use the Locomotives on the lines of railroad owned, operated or leased by Lessees, and on the lines of other railroads over which railroad equipment of Lessees is regularly operated pursuant to contract, trackage or other operating rights, and in joint facility operations with other carriers and in the usual interchange of locomotives, if customary at the time, and in the case of any emergency requiring detours or repairs.

Nothing in this Section 18 shall be deemed to limit the right of Lessees to assign and transfer Lessees' leasehold interest hereunder in

the Locomotives and the possession thereof to a Reorganized Company, provided that all obligations then existing or to accrue of Lessees under this Lease shall be assumed as a general obligation by such Reorganized Company.

Anything to the contrary herein notwithstanding, Lessees, with the approval of the Court in the proceedings for the reorganization of the Railroad, or a Reorganized Company shall have the right to sublease, subject to this Lease, all or any (but not less than five under any one sublease) of the Locomotives, provided that (i) such Lessees or Reorganized Company shall have determined to reduce, or shall have reduced, substantially the railroad operations of, including the lines of railroad owned, operated or leased by, such Lessees or Reorganized Company from the level of operations on such lines as conducted as of the date of this Lease; and (ii) the sublessee shall be a Class I Railroad principally engaged in the business of operating lines of railroad in the United States. In addition, during any period of cessation or suspension of railroad operations as provided hereinabove in Section 4 and for a term to end not later than five business days after the end of such period, Lessees shall have the right to sublease, subject to this Lease, all or any of the Locomotives provided that all subrentals arising from any such sublease or subleases shall be payable directly by the sublessee or sublessees to Lessor; all such subrentals so received by Lessor shall be credited against the payment of rental next to become due and payable by Lessees to Lessor.

After any assignment and transfer of Lessees' leasehold interest hereunder in the Locomotives and the possession thereof as above permitted nothing in this Section 18 shall be deemed to limit the right of any Reorganized Company, as successor to Lessees, at any time further to assign and transfer its leasehold interest hereunder in the Locomotives and the possession thereof to any successor corporation which shall have assumed all of the obligations hereunder of Lessees and into or with which such Reorganized Company shall have merged or consolidated or which shall have acquired all or substantially all of the property of such Reorganized Company; nor shall anything in this Section 18 be deemed to limit successive such assignments and transfers.

The term "Lessees", whenever used in this Lease, means George P. Baker, Richard C. Bond and Jervis Langdon, Jr., Trustees of the property of Penn Central Transportation Company, Debtor, as well as any successor or additional trustees of such property, before any

assignment and transfer of Lessees' leasehold interest hereunder in the Locomotives and the possession thereof to a Reorganized Company as hereinbefore provided in this Section 18, and thereafter shall mean any Reorganized Company.

The liabilities and obligations of said Trustees, George P. Baker, Richard C. Bond and Jervis Langdon, Jr., as well as of any such successor or additional trustees, under and in respect of this Lease, are the liabilities of such Trustees, or any or all of them, solely as trustees of the property of Penn Central Transportation Company, and not individually. Said Trustees and any successor or additional trustees shall not be relieved of their liabilities or obligations under or in respect of this Lease, except upon any assignment and transfer of Lessees' leasehold interest hereunder in the Locomotives and the possession thereof to a Reorganized Company as hereinbefore provided in this Section 18.

SECTION 19. *Assignment by Lessor.* All or any of the rights, benefits and advantages of Lessor, including the right to the rent or to any other payment under this Lease, and title to the Locomotives, may be assigned or transferred by Lessor and reassigned or retransferred by any assignee at any time and from time to time. No such assignment shall subject any assignee to, or relieve Lessor from, any obligation of Lessor hereunder.

Lessees hereby acknowledge due notice of the transfer made by Lessor to the Trustee under the Equipment Note Agreement of all of Lessor's right, title and interest in and to the Locomotives subject to, and to become subject to, the terms and conditions of this Lease and all of Lessor's right, title and interest in and under this Lease, including the right to receive the rent and all other payments under this Lease, and title to the Locomotives. Lessees expressly represent and agree for the purpose of assurance to the Trustee and the holders of Equipment Notes to be made and delivered under the Equipment Note Agreement that (i) Lessees will, until receipt of notice from the Trustee that the aforesaid transfer is terminated, make payment of all amounts due and to become due to Lessor hereunder (including payments of rentals, Stipulated Loss Values and Termination Values) directly to the Trustee, and (ii) the rights of the Trustee to payments to be made by Lessees hereunder, together with all other rights hereunder assigned to the Trustee, shall not be subject to any defense, set-off,

counterclaim or recoupment whatsoever arising out of any breach of any obligation of Manufacturer or Lessor in respect of the Locomotives or the manufacture, construction, delivery, guaranty or warranty thereof, or in respect of any indemnity herein contained, nor subject to any defense, set-off, counterclaim or recoupment whatsoever arising by reason of any other indebtedness or liability at any time owing to Lessees by Lessor or Manufacturer. Any and all such obligations howsoever arising shall be and remain enforceable by Lessees against and only against Manufacturer or Lessor as the case may be.

Lessees agree that, so long as the Equipment Note Agreement shall be in effect, copies of all notices, certificates, reports, opinions of counsel and other communications required or permitted to be given or furnished to Lessor under any of the provisions of this Lease shall concurrently be given or furnished to the Trustee at its address as provided in or pursuant to the Equipment Note Agreement.

SECTION 20. *Recording.* Lessees, without expense to Lessor, will cause this Lease and the Equipment Note Agreement and all amendments, supplements and assignments hereof or thereof, to be duly filed and recorded and re-filed and re-recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act and this Lease to be deposited with the Registrar General of Canada in accordance with Section 86 of the Railway Act (and notice of such deposit to be given in the *Canada Gazette* pursuant to said Section 86). Lessees will promptly furnish to Lessor certificates or other evidences of such filing and recording and re-filing and re-recording and an opinion or opinions satisfactory to Lessor of Counsel for Lessees (or, in the case of opinions with respect to filings and recordings in Canada or in Provinces thereof, of Messrs. Osler, Hoskin & Harcourt, of Toronto, Ontario, Canada, or other attorneys designated by said Counsel satisfactory to Lessor) with respect thereto (it being understood that the opinions furnished pursuant to Section 6 hereof shall be sufficient with respect to the first filings and recordings of this Lease and the Equipment Note Agreement pursuant to this Section 20). In addition, Lessees shall do and perform all such other acts as may be required by law, or reasonably requested by Lessor, for the protection of Lessor's title to and interest in the Locomotives.

SECTION 21. *Other Equipment Leases and Secured Obligations.* Lessees agree that, during the continuance of this Lease, Lessees will

not hereafter assume or enter into any other leases of equipment; equipment trust agreements, conditional sale agreements or other liabilities or obligations in connection with the leasing or financing of the acquisition of rolling stock equipment, (i) if such liabilities or obligations would be entitled, directly or indirectly, to any priority in right of payment over the obligations of Lessees under this Lease, or (ii) if such liabilities or obligations would be secured, directly or indirectly, by any mortgage, lien or other security interest in property of the Railroad or Lessees (except the rolling stock equipment involved in the particular transaction) unless the obligations of Lessees under this Lease are equally and ratably secured thereby.

SECTION 22. *Notices.* Any notice required or permitted to be given to Lessor shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows: Electro-Motive Leasing Corporation, Room 2600, 767 Fifth Avenue, New York, New York 10022, or at such other address as may have been furnished in writing to Lessees by Lessor.

Any notice required or permitted to be given to Lessees shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows: Trustees of the Property of Penn Central Transportation Company, Debtor, Room 1334, Six Penn Center Plaza, Philadelphia, Pennsylvania 19104, Attention: Treasurer, or at such other address as may have been furnished in writing by Lessees to Lessor.

SECTION 23. *New York Laws.* The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York, but Lessor, and any assignee of Lessor's rights hereunder, shall be entitled to such additional rights arising out of the filing or recording hereof and of the Equipment Note Agreement as shall be conferred by Federal laws or by the laws of any jurisdiction in which this Lease, or the Equipment Note Agreement, or any such assignment, shall be filed or recorded.

SECTION 24. *Miscellaneous.* (a) Any other provision contained in this Lease to the contrary notwithstanding, it is hereby agreed that the provisions of Sections 4, 9, 11, 13, 14, 16 and 17 of this Lease shall survive the termination of the leasing of the Locomotives under the terms of this Lease.

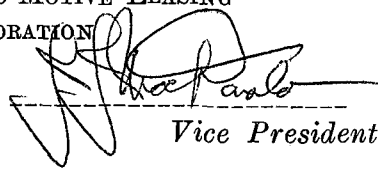


(b) This Lease contains the entire agreement between the parties relating to the subject matter hereof, and any prior and collateral representations, warranties and conditions with respect to said subject **matter are merged herein. No modification, extension, waiver, renewal or termination of this Lease, or any of the provisions hereof, shall be binding on either party hereto unless made in writing on its behalf by the duly authorized representative of said party.**

(c) This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same document.

IN WITNESS WHEREOF, LESSOR has caused this Lease to be executed in its corporate name, by one of its officers thereunto duly authorized, **and its corporate seal to be hereunto affixed and duly attested, and Lessees have caused this Lease to be executed on their behalf by one of the Lessees thereunto duly authorized, all on the respective dates of the notarial acknowledgements annexed hereto.**

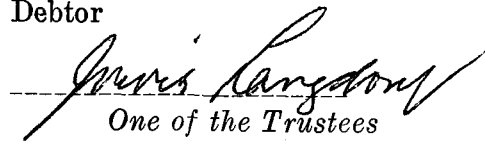
ELECTRO-MOTIVE LEASING
CORPORATION

By 
Vice President

Attest:

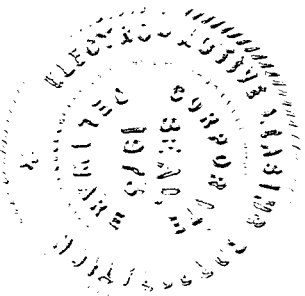
L W Middleton
Assistant Secretary

GEORGE P. BAKER,
RICHARD C. BOND and
JERVIS LANGDON, JR.,
Trustees of the Property of Penn
Central Transportation Com-
pany, Debtor

By 
One of the Trustees

Witness:


Assistant Secretary

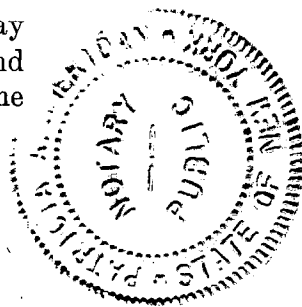


STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 8TH day of October, 1973, before me personally appeared J. J. MacDonald, to me personally known, who, being by me duly sworn, said that he is a Vice President of ELECTRO-MOTIVE LEASING CORPORATION, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on this day on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Patricia A. Sheridan

PATRICIA A. SHERIDAN
NOTARY PUBLIC, STATE OF NEW YORK
No. 41-8965095
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 1974

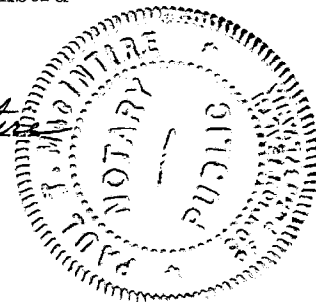


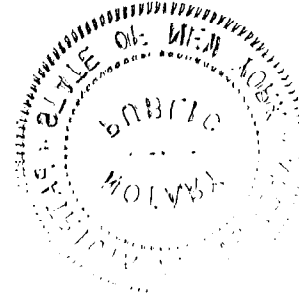
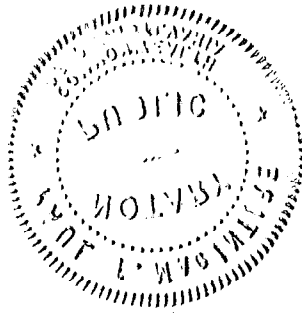
COMMONWEALTH OF PENNSYLVANIA }
CITY AND COUNTY OF PHILADELPHIA } ss.:

On this 12TH day of OCTOBER, 1973, before me personally appeared JERVIS LANGDON JR., to me personally known, who, being by me duly sworn, said that he is one of the Trustees of the property of Penn Central Transportation Company, Debtor, that the foregoing instrument was signed on this day by him on behalf of and by authority of the Trustees of the property of Penn Central Transportation Company, Debtor, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Trustees.

Paul T. MacIntire

PAUL T. MACINTIRE
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires October 4, 1976





SCHEDULE A

MODEL—DESCRIPTION—SPECIFICATIONS— SERIAL NUMBERS—ROAD NUMBERS AND UNIT PRICES

| Model | Description | Specification Number and Date | Units | Manufacturer's Serial Number | Road Number | UNIT | | |
|---------|---|-------------------------------------|-------|---------------------------------|----------------|-----------|----------|-----------|
| | | | | | | Price | Extras | Total |
| GP-38-2 | 2000 H.P. Diesel-Electric Road Switching Locomotive | Spec. 8090 Dated January 3, 1972 | 9 | 73608-1— 73608-9 | 8154-8162 | \$238,500 | \$37,130 | \$275,630 |
| SW-1500 | 1500 H.P. Diesel-Electric Yard Switching Locomotive | Spec. 8036 Dated January 3, 1972 | 24 | 73622-1— 73622-24 | 9560-9583 | \$191,000 | \$17,419 | \$208,419 |

SCHEDULE B

APPLICABLE PERCENTAGES OF TOTAL UNIT PRICE OF A LOCOMOTIVE FOR DETERMINATION OF STIPULATED LOSS VALUE OR TERMINATION VALUE AT END OF ANY QUARTERLY RENTAL PERIOD

| Quarterly Rental Period Ending | Column I | Column II | Quarterly Rental Period Ending | Column I | Column II |
|-----------------------------------|----------------------|-----------------------------|-----------------------------------|----------------------|-----------------------------|
| | Termination Value | Stipulated Loss Value | | Termination Value | Stipulated Loss Value |
| | % | % | | % | % |
| January 15, 1974 | 98.93 | 101.33 | January 15, 1982 | 54.45 | 59.06 |
| April 15, 1974 | 97.83 | 100.28 | April 15, 1982 | 52.76 | 57.46 |
| July 15, 1974 | 96.70 | 99.20 | July 15, 1982 | 51.03 | 55.83 |
| October 15, 1974 | 95.56 | 98.11 | October 15, 1982 | 49.26 | 54.16 |
| January 15, 1975 | 94.39 | 96.99 | January 15, 1983 | 47.46 | 52.46 |
| April 15, 1975 | 93.19 | 95.85 | April 15, 1983 | 45.62 | 50.72 |
| July 15, 1975 | 91.97 | 94.68 | July 15, 1983 | 43.74 | 48.95 |
| October 15, 1975 | 90.72 | 93.49 | October 15, 1983 | 41.82 | 47.14 |
| January 15, 1976 | 89.45 | 92.27 | January 15, 1984 | 40.12 | 45.54 |
| April 15, 1976 | 88.15 | 91.03 | April 15, 1984 | 38.38 | 43.92 |
| July 15, 1976 | 86.82 | 89.76 | July 15, 1984 | 36.60 | 42.26 |
| October 15, 1976 | 85.47 | 88.47 | October 15, 1984 | 34.79 | 40.56 |
| January 15, 1977 | 84.08 | 87.15 | January 15, 1985 | 32.94 | 38.83 |
| April 15, 1977 | 82.67 | 85.80 | April 15, 1985 | 31.05 | 37.06 |
| July 15, 1977 | 81.22 | 84.42 | July 15, 1985 | 29.12 | 35.26 |
| October 15, 1977 | 79.75 | 83.01 | October 15, 1985 | 27.15 | 33.41 |
| January 15, 1978 | 78.25 | 81.57 | January 15, 1986 | 25.14 | 31.53 |
| April 15, 1978 | 76.71 | 80.10 | April 15, 1986 | 23.09 | 29.61 |
| July 15, 1978 | 75.14 | 78.60 | July 15, 1986 | 20.99 | 27.65 |
| October 15, 1978 | 73.54 | 77.07 | October 15, 1986 | 18.85 | 25.64 |
| January 15, 1979 | 72.25 | 75.86 | January 15, 1987 | 16.66 | 23.60 |
| April 15, 1979 | 70.93 | 74.61 | April 15, 1987 | 14.43 | 21.51 |
| July 15, 1979 | 69.58 | 73.34 | July 15, 1987 | 12.15 | 19.37 |
| October 15, 1979 | 68.21 | 72.04 | October 15, 1987 | 9.82 | 17.19 |
| January 15, 1980 | 66.80 | 70.72 | January 15, 1988 | 7.44 | 14.97 |
| April 15, 1980 | 65.37 | 69.37 | April 15, 1988 | 5.01 | 12.69 |
| July 15, 1980 | 63.91 | 67.99 | July 15, 1988 | 2.54 | 10.37 |
| October 15, 1980 | 62.41 | 66.57 | October 15, 1988 | — | 8.00* |
| January 15, 1981 | 60.89 | 65.13 | | | |
| April 15, 1981 | 59.33 | 63.66 | | | |
| July 15, 1981 | 57.74 | 62.16 | | | |
| October 15, 1981 | 56.11 | 60.63 | | | |

* Applicable Throughout Any Extended Term of the Lease.